

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2021 Second Round**

**October 20, 2021**

78 Haight Street, located at 78 Haight Street in San Francisco, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$2,692,243 in total state tax credits to finance the new construction of 63 units of housing serving special needs tenants with rents affordable to households earning 25-50% of area median income (AMI). The project will be developed by Tenderloin Neighborhood Development Corporation and will be located in Senate District 11 and Assembly District 17.

78 Haight Street will be receiving rental assistance in the form of a Local Operating Subsidy from the San Francisco Mayor's Office of Housing and Community Development. The project financing includes state funding from the NPLH program of HCD.

**Project Number** CA-21-095

**Project Name** 78 Haight Street  
**Site Address:** 78 Haight Street  
San Francisco, CA 94102 County: San Francisco  
**Census Tract:** 168.020

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$2,500,000	\$2,692,243
Recommended:	\$2,500,000	\$2,692,243

\* The applicant made an election to sell (Certificate) all or any portion of the state credits.

**Applicant Information**

**Applicant:** Octavia RSU Associates, L.P.  
**Contact:** Donald S. Falk  
**Address:** 201 Eddy Street  
San Francisco, CA 94102  
**Phone:** (415) 358-392  
**Email:** dfalk@tndc.org

**General Partner(s) / Principal Owner(s):** Octavia RSU GP, LLC  
**General Partner Type:** Nonprofit  
**Parent Company(ies):** Tenderloin Neighborhood Development Corporation  
**Developer:** Tenderloin Neighborhood Development Corporation  
**Investor/Consultant:** California Housing Partnership  
**Management Agent(s):** Tenderloin Neighborhood Development Corporation

**Project Information**

**Construction Type:** New Construction  
**Total # Residential Buildings:** 1  
**Total # of Units:** 63  
**No. & % of Tax Credit Units:** 63 100%  
**Federal Set-Aside Elected:** 40%/60%  
**Federal Subsidy:** None

**Information**

Set-Aside: Nonprofit (qualified nonprofit organization)  
 Housing Type: Special Needs At least 90% SRO units  
 Type of Special Needs: Homeless/formerly homeless & Transition age youth  
 Average Targeted Affordability of Special Needs/SRO Project Units: 36.67%  
 % of Special Need Units: 32 units 50.80%  
 Geographic Area: San Francisco County  
 TCAC Project Analyst: Brett Andersen

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 25% AMI: 32	51%
At or Below 40% AMI: 4	6%
At or Below 50% AMI: 27	43%

**Unit Mix**

58 SRO/Studio Units
<u>5 1-Bedroom Units</u>
63 Total Units

<u>Unit Type &amp; Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
27 SRO/Studio	25%	\$333
4 SRO/Studio	40%	\$1,166
27 SRO/Studio	50%	\$1,515
5 1 Bedroom	25%	\$397

**Project Cost Summary at Application**

Land and Acquisition	\$3,802,749
Construction Costs	\$33,357,725
Rehabilitation Costs	\$0
Construction Contingency	\$2,335,270
Relocation	\$0
Architectural/Engineering	\$3,197,803
Const. Interest, Perm. Financing	\$1,924,833
Legal Fees	\$112,968
Reserves	\$1,500,568
Other Costs	\$2,531,080
Developer Fee	\$2,200,000
Commercial Costs	\$3,422,300
<b>Total</b>	<b>\$54,385,296</b>

**Residential**

Construction Cost Per Square Foot:	\$757
Per Unit Cost:	\$806,481
True Cash Per Unit Cost*:	\$758,916

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
Silicon Valley Bank	\$20,173,527	MOHCD Loan	\$21,966,228
MOHCD Loan	\$21,966,228	MOHCD NPLH AP Loan	\$4,780,239
MOHCD NPLH AP Loan	\$4,780,239	Donated Land	\$3,207,500
Donated Land	\$3,207,500	Tax Credit Equity	\$24,431,329
Costs Deferred Until Conversion	\$2,012,669	<b>TOTAL</b>	<b>\$54,385,296</b>
Tax Credit Equity	\$2,245,133		

\*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$21,367,523
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,777,780
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$2,692,243
Approved Developer Fee in Project Cost:	\$2,200,000
Approved Developer Fee in Eligible Basis:	\$2,045,276
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.89110
State Tax Credit Factor:	\$0.80000

The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Tie-Breaker Information**

First:	<b>Special Needs</b>
Final:	<b>98.597%</b>

**Significant Information / Additional Conditions**

Development costs are roughly \$806,481 per unit. The factors affecting cost include City of San Francisco requirements and regulations, as well as prevailing wage and local hiring requirements in the loan agreement from the City and County of San Francisco.

Per TCAC Regulation Section 10325(f)(7)(J) the project has committed to employ an equivalent number of on-site full-time property management staff and provide an equivalent number of desk or security staff capable of responding to emergencies for the hours when property management staff is not working. All staff or contractors performing desk or security work shall be knowledgeable of how the property’s fire system operates and be trained in, and have participated in, fire evacuation drills for tenants. TCAC reserves the right to require that one or more on-site managers’ units be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or maintained.

The project has a capitalized operating subsidy for 15 years that covers 32 of the special needs units serving homeless, formerly homeless, and transition age youth tenants provided by the Mayor's Office of the City and County of San Francisco.

**Resyndication and Resyndication Transfer Event:** None.

**Local Reviewing Agency**

The Local Reviewing Agency, the Mayor's Office of Housing & Community Development, has completed a site review of this project and strongly supports this project.

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>10</b>	<b>10</b>	<b>10</b>
General Partner Experience	7	7	7
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1 mile of a weekly farmers' market operating at least 5 months/year	1	1	1
Within ½ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES</b>			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Health & wellness services and programs, minimum 100 hrs per 100 bdrms	5	5	5
<b>SPECIAL NEEDS HOUSING TYPE</b>			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Enhanced Accessibility and Visitability	2	2	2
<b>Total Points</b>	<b>109</b>	<b>109</b>	<b>109</b>

**Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.**

**DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.**